WORKING CAPITAL FUND

FY 2005 First Quarter Report: Summary

I. Relation of Earnings to Expenses

Each business is expected to achieve a balance between annual ‘earnings’ (billings to customers pursuant to Board-approved pricing policies) and ‘expenses’ (accrued contractual costs adjusted for depreciation, inventory changes, and related business-type costs). Quarterly analyses are intended primarily to identify emerging annual issues that may warrant changes in Board pricing policies.

WORKING CAPITAL FUND			
FY 2005 First Quarter Business Results (in Millions)			
TABLE I			
Business Line	**First Quarter Earnings**	**First Quarter Business Expenses**	**First Quarter Net**
Supplies	$0.7	$0.7	$0.0
Mail	$0.5	$0.5	$0.0
Copying	$0.5	$0.5	$0.0
Printing/Graphics	$0.9	$0.8	$0.1
Building Occupancy	$15.8	$15.3	$0.5
Telephones	$2.1	$2.1	$0.0
Desktop	$0.2	$0.2	$0.0
Network	$1.5	$1.4	$0.1
Procurement Services	$0.2	$0.2	-$0.1
Payroll Processing	$0.5	$0.5	$0.0
CHRIS	$0.5	$0.3	$0.2
Corp Training Services	$0.1	$0.2	-$0.1
PMCDP	$0.0	-$0.3	$0.3
TOTAL [1]	**$23.5**	**$22.5**	**$1.0**

The Fund earned a net of $1.0 million (4 %) on $23.5 M in earnings in the First Quarter of FY 2005. This result is not necessarily representative of the full fiscal year, because of the high reliance on accrual estimates to provide cost data and because of first quarter funding concerns related to the continuing resolution.

Specific differences in excess of $50,000 are as follows:

1 When converting from whole dollars to tens of millions total amounts do not always add due to rounding.

- The Printing and Graphics Business Line reported net earnings of $56,853 in the first quarter due to savings in overhead accounts.
- The Building Occupancy Business Line had net earnings of $502,751 in the First Quarter due to recording earnings for building improvements in advance of costs.
- The Network Business Line had net earnings of $52,741 in the First Quarter that result from DOEnet infrastructure cost reductions at the Headquarters node.
- Procurement Services had net earnings of -$56,856 due to liquidation of lower-cost instruments during the first quarter, but it is expected that this pattern will change during the course of the full year and that no pricing policy change is needed.
- CHRIS had net earnings of $242,461 due to deferring capital equipment purchases and the effect of the Continuing Resolution.
- Corporate Training had costs in excess of adjusted earnings and has asked for a Board review of pricing policy. This review, however, has been deferred by the Fund Manager until the business has improved methods to monitor costs.
- PMCDP had net earnings of $348,024 due to an over accrual of FY 2004 costs and an under accrual of FY 2005 costs. We are working with the business to improve visibility of financial results.

Both earnings and expenses reported above have been adjusted from the DISCAS accounting to present the Fund's financial results with the most accurate and latest information. For the, Mail, CHRIS, Purchase card surveillance, Corporate Training Services, and Payroll business lines, actual customer billings in the first quarter have been adjusted downward to reflect annual collections that should be reported in 25% increments each quarter. Telephone results have been adjusted to offset the reverse billing for August/September usage billed in October/November.

II. Relation of Customer Payments to Anticipated Customer Billings

Obligation authority for Fund businesses is derived from customer advance payments for services. The Board has adopted procedures calling for customers to make full-year advance payments into the Fund, but the FY 2005 continuing resolution precluded customers from meeting this target. We expect to return to traditional levels of advance funding during the second quarter.

By December 2004, we had collected $24.9 million (28%) of the estimated $96.6 million in FY 2005 annual revenues (Table II). This level has increased to $78 million by February 2005, reflecting the delayed availability of funds to customers. The Fund Manager has been working with both the business lines and customer organizations to accommodate the effects of the delay in enacting full year appropriations for FY 2005.

WORKING CAPITAL FUND			
FY 2005 First Quarter Business Results (in Millions)			
TABLE II			
Business Line	**Advances as of First Quarter**[2]	**Anticipated Full Year**	**% Collected**
Supplies	$1.6	$2.8	35%
Mail	$1.4	$2.3	57%
Copying	$0.8	$2.3	35%
Printing/Graphics	$1.1	$3.0	37%
Building Occupancy	$12.7	$63.5	33%
Telephones	$2.9	$9.2	32%
Desktop	$0.5	$0.9	56%
Network	$1.2	$5.9	20%
Procurement Services	$0.5	$1.1	45%
Payroll Processing	$2.5	$2.0	125%
Chris	$0.7	$2.2	32%
Corp Training	$0.6	$0.4	150%
PMCDP	$1.3	$1.0	130%
TOTAL	**$27.7**	**$ 96.6**	28%

Beginning with the Second Quarter Report, the Fund Manager will stop reporting advances by business line against anticipated budgets and substitute a table reporting these factors by customer.

2 Customer advances include prior year customer advances. (see Table III).

III. Relation of Payments to Obligations by Business Line

- There have been no violations of administrative control of funds procedures by WCF business lines.

- As shown in Table III, funds available exceeded obligations by an estimated $13.3 million by the end of the First Quarter. The rate of obligation is behind annualized estimates due to the length of the continuing resolution at the beginning of FY 2005.

WORKING CAPITAL FUND					
FY 2005 First Quarter Business Results (in Millions)					
TABLE III					
Business Line	**Unobligated Balance [3] 10/05**	**Current Year Customer Advances**	**Total available for obligation**	**First Quarter Obligations**	**Advances Remaining to be Obligated**
Supplies	$1.6	$0.0	$1.6	$0.0	$1.6
Mail	$1.3	$0.1	$1.4	$0.2	$1.2
Copying	$0.5	$0.3	$0.8	$0.4	$0.4
Printing/Graphics	$0.7	$0.4	$1.1	$0.3	$0.8
Building Occupancy	$7.2	$5.5	$12.7	$11.9	$0.8
Telephones	$2.9	$0.0	$2.9	$0.1	$2.8
Desktop	$0.2	$0.3	$0.5	$0.0	$0.5
Network	$1.0	$0.2	$1.2	-$0.3	$1.5
Procurement Services	$0.4	$0.1	$0.5	$0.0	$0.5
Payroll Processing	$2.2	$0.3	$2.5	$0.0	$2.5
Chris	$0.0	$0.7	$0.7	$0.5	$0.2
Corp Training Services	$0.5	$0.1	$0.6	-$0.1	$0.7
PMCDP	$1.3	$0.0	$1.3	-$0.1	$1.3
TOTAL	**$19.7**	**$8.0**	**$27.7**	**$12.9**	**$14.8**

IV. Changes in Budget Estimates by Business Line and Customer

3 The unobligated balances are made up of earned and unearned customer advances from the prior fiscal year. These funds often act as working capital during the early weeks of a new fiscal year.

The $0.6 million decrease in the December 2004 estimate for FY 2005 was the result of reduced space requirements in the building occupancy business. Otherwise the FY 2005 billing estimates are closely aligned with prior estimates. After the December budget estimates were developed, a customer request for building alterations was received, such that current FY 2005 estimates, as shown in Table III of the January 2005 bill, will be closer to $99 million.

FY 2005 Budget Estimates for WCF Businesses		
Date	Process	FY 2005 Billing Estimate ($Millions)
May 2003	FY 2005 Corporate Review	$94.9
December 2003	FY 2005 Congressional Budget	$97.2
May 2004	FY 2006 Corporate Review	$97.2
December 2004	FY 2006 Congressional Budget	$96.6

V. Anticipated Need to Change Pricing Policies or Make Substantial Changes in Operating Levels.

Based on the first quarter reviews with the businesses the Fund Manager foresees no immediate need to change pricing policies in any businesses. However, businesses are reviewing future funding needs, and the Board has formed working groups to analyze potential investment requirements in Network as well as pricing policies for PMCDP and Corporate Training Services.

VI. Financial Management Systems Progress Working Capital Fund Billing System

- The WCF billing system continued to successfully produce timely and accurate monthly bills. The chart below indicates the billing performance related to transferring customer-billing information to DISCAS by the second working day of the month (a decrease of two working days). This allows the Fund staff, with the cooperation of CFO officials, to have the billings entered into DISCAS each month before the accounts are closed. A minus two (-2) indicates that billing was forwarded two days before the deadline. This standard provides customers with costs reported in DISCAS in the same month they occur. The time between the end of the month and the issuance of the bill is extremely consistent.

- The Fund Manager recently completed upgrading the billing system to automate and enhance customer reporting. It is our assessment that the system is stable and has the flexibility to accept changes as needed. We intend to solicit ideas from our customer and business working groups for the next generation of enhancements. The complete assessment can be located on our web site at www.wcf.doe.gov under Billing System Assessment.

- The Fund Manager has been working with the I-MANAGE staff on successful tests of the ability to transmit customer billing information electronically to the STARS system. Over the coming quarter, we will work with Fund businesses to ensure the successful migration from DISCAS to STARS.